

Administration of Barack H. Obama, 2010

Remarks on Signing a Memorandum Blocking Tax Delinquent Applicants from Obtaining Government Contracts

January 20, 2010

Good morning, everybody. Before I start, let me introduce the folks behind me: obviously, the Vice President. In addition, we've got Senator Claire McCaskill, Congressman Ed Towns, Congressman Brad Ellsworth. We've got Douglas Shulman, who's the Commissioner of the IRS, and Jeffrey Zients, our Chief Performance Officer of the United States.

Here in our Nation's Capital, there are a number of ways to advance the ideals and interests of the American people. Often it's done through Congress. But it can also be done through what's called a Presidential memorandum, a directive that I give to Cabinet Secretaries and to Federal Government employees to change how our Government works. In a few moments, I will issue one of these directives to help stop Government contracts from going to companies that are seriously delinquent in their taxes.

This is not simply a matter of signing a piece of paper or taking a bureaucratic act. By issuing this directive, all of us in Washington will be required to be more responsible stewards of your tax dollars.

All across this country, there are people who meet their obligations each and every day. You do your jobs. You support your families. You pay the taxes you owe, because it's a fundamental responsibility of citizenship. And yet, somehow, it's become standard practice in Washington to give contracts to companies that don't pay their taxes.

Studies by the Government Accountability Office have identified tens of thousands of such deadbeat companies that are being awarded Government contracts. One company owner who owed over \$1 million in taxes was paid over \$1 million as a defense contractor, and instead of using that money to pay his back taxes, he chose to buy a boat, some cars, and a home abroad with his earnings. The total amount owed in unpaid taxes by companies like that is estimated at more than \$5 billion.

Now, in Washington, \$5 billion might not seem like a lot of money. But if we were to invest that money in education, it would be enough to cover the cost of annual college tuition for more than half a million students. If we were to invest in health care, it would be enough to cover 2 1/2 million children. If we were to invest it in energy, it would be enough to weatherize more than half a million homes.

In a time of great need, when our families and our Nation are finding it necessary to tighten our belts and be more responsible with how we spend our money, we can't afford to waste taxpayer dollars. And we especially can't afford to let companies game the system. We need to make sure every tax dollar we spend is going to address our Nation's urgent needs and to make a difference in the lives of our people.

The status quo, then, is inefficient and it's wasteful. But the larger and more fundamental point is that it's wrong. It is simply wrong for companies to take taxpayer dollars and not be taxpayers themselves. So we need to insist on the same sense of responsibility in Washington that so many of you strive to uphold in your own lives, in your own families, and in your own businesses.

That's exactly what the memorandum I'm issuing today is meant to do. I'm directing my budget office, together with the Treasury Department and other Federal agencies, to take steps to block contractors who are seriously delinquent in their taxes from receiving new Government contracts. I'm also directing the IRS to conduct a review of the overall accuracy of companies' claims about tax delinquencies. We need to be sure that when a company says it's paying taxes, that company is, in fact, paying taxes.

Beyond these steps, I'm also calling on Congress to build on the kind of legislation that Senator McCaskill, Congressman Ellsworth, and Chairman Towns have introduced—and that I introduced when I was Senator—legislation that will crack down on tax cheats by allowing the IRS to share information about tax delinquency with contracting officials. And by the way, when I introduced that Senate bill, Claire stood by me, and Brad led the way in the House.

Further, my budget from last year proposed that if a company with lots of unpaid taxes receives a Federal contract, the Government ought to be able to pay taxpayers back in full before it's required to pay the contractors themselves. It also proposed that tax collection, on behalf of American taxpayers, should not be subject to long bureaucratic delays, it should be done swiftly. Since Congress did not act last year on this proposal, I am introducing it in this year's budget, and I once again urge Congress to act on it.

So the steps I'm directing today and the steps I'm calling on Congress to take are just basic commonsense steps. They're not going to eliminate all the waste or all the abuse in Government contracting in one fell swoop. And going forward, we'll also have to do more to hold contractors more accountable, not just for paying taxes, but for following other laws as well, including employment and environmental laws.

But the efforts I'm outlining today will scale back waste and abuse. And they will help bring the values of American Government and the values of America's companies in line with the values of the American people.

So with that, I'm going to sign this memorandum. And I'm expecting our team to implement it as quickly and as effectively as we can.

NOTE: The President spoke at 10:14 a.m. in Room 430 at the Dwight D. Eisenhower Executive Office Building.

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Names: Biden, Joseph R., Jr.; Ellsworth, Brad; McCaskill, Claire; Shulman, Douglas H.; Towns, Edolphus; Zients, Jeffrey D.

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